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## **MAINLAND HEADWEAR HOLDINGS LIMITED**

**飛達帽業控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1100)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO CONSTRUCTION OF FACTORY IN MEXICO**

#### **THE CONSTRUCTION AGREEMENT**

The Board hereby announces that on 19 July 2023 (Mexico time, being 20 July 2023 in Hong Kong), Mainland Mexico, an indirect wholly-owned subsidiary of the Company, entered into the Construction Agreement with the Contractor, an Independent Third Party in relation to the Construction Work.

#### **IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Construction Agreement is more than 5% and is less than 25%, the Construction Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**BACKGROUND**

Reference is made to the announcement of the Company dated 3 March 2023 in relation to the infrastructure investment project in Mexico. Pursuant to the Collaboration Agreement, the Mainland Companies have agreed to, among others, construct and operate a factory of more than 150,000 square feet with the first 24 months after the date of the Collaboration Agreement. On 19 July 2023 (Mexico time, being 20 July 2023 in Hong Kong), Mainland Mexico, an indirect wholly-owned subsidiary of the Company, entered into the Construction Agreement with the Contractor in relation to the Construction Work.

**CONSTRUCTION AGREEMENT**

The principle terms of the Construction Agreement are set out as follows:

Date: 19 July 2023

Parties: (1) Mainland Mexico  
(2) The Contractor

Construction Work: The Contractor shall construct the Group’s manufacturing facility main building with area of 180,792 square feet located at the Land, and the scope of work includes: all civil engineering works, finishes, metal structure and any associated works to construct the new facility in accordance with the plans and specification under the Construction Agreement.

Contract Price: The Contract Price is MXN\$202,558,000.42 (equivalent to approximately HK\$95,202,260) (including VAT) which was determined after arm’s length negotiations between Mainland Mexico and the Contractor and the Contract Price is in line with the current market price for similar construction work in that area.

The Contract Price is expected to be financed by the internal resources of the Group.

Payment terms: The Contract Price is payable in the following manner:

- (1) A sum of MXN\$83,224,934.02 (equivalent to approximately HK\$39,115,719) (including VAT), being approximately 41.08% of the Contract Price (“**Advance Payment**”), is agreed to be paid upon the execution of the Construction Agreement and will be used to purchase the construction materials; and
- (2) the remaining sum of MXN\$119,333,066.40 (equivalent to approximately HK\$56,086,541) (including VAT), being approximately 58.92% of the Contract Price, shall be paid in the following manner:
  - (i) the Contractor shall report to Mainland Mexico regarding the progress of the Construction Work from time to time, along with the costs progress and corresponding invoice; and
  - (ii) Mainland Mexico shall make payment of the required sum, being a sum exceeding the Advance Payment within 15 days after the delivery of the Contractor’s invoice to Mainland Mexico, until the whole Contract Price is settled.

Construction period: The Construction Work shall be completed no later than 30 November 2023.

Guarantees: The Contractor shall deliver to Mainland Mexico the following bonds (as granted by a duly authorized Mexican bonding institution acceptable by Mainland Mexico) in order to guarantee the performance of its obligations under the Construction Agreement:

- (1) Compliance bond: the Contractor shall deliver to Mainland Mexico bonds in the principal amount equivalent to 10% of the Contract Price within three (3) business days following execution of the Construction Agreement. This bond shall cover any liability deriving from the Construction Work and may be cancelled once all of the Contractor’s obligations have been fulfilled to Mainland Mexico’s satisfaction and Mainland Mexico has issued a written authorization for such cancellation.

- (2) Hidden defects bond: the Contractor shall deliver to Mainland Mexico bonds in the principal amount equivalent to 10% of the Contract Price upon the execution of the completion certificate and such bonds shall remain valid for a period of one (1) year following the date of the completion certificate and may be cancelled upon written authorization from Mainland Mexico. This bond shall cover any hidden defects deriving from or related to the Construction Work, and the parties agree that in the event a hidden defect exists, the guarantee shall be valid for a period of one year following the date in which such defect has been fixed or, if the defects correspond to any materials and/or equipment, until such date in which the manufacturer's warranty has expired.

Termination/  
rescission:

- (1) Termination: Mainland Mexico may terminate the Construction Agreement in case of late completion or the Contractor's non-compliance of obligation to register with relevant authority.
- (2) Rescission: Mainland Mexico may at any time and without the need for judicial intervention, rescind the Construction Agreement due to any breach by the Contractor of the Construction Agreement which has not been rectified in accordance with the terms of the Construction Agreement.

## **INFORMATION OF THE CONTRACTOR**

The Contractor is principally engaged in the fabrication of steel structures. The Contractor is registered as a "Construction of Works in general" at the Registry of Specialized Service Providers or Specialized Works in Mexico, with registration notice number AR11156/2021 dated 2 August 2021, and it is licensed to carry out construction, management, planning and supervision of civil engineering, elaboration of appraisals and projects, land preparation, urbanization and quality control, and in general all subjects related to civil engineering.

The ultimate beneficial owners of the Contractor are Jose Salvador Quijada Gutierrez, Rita Carolina Quijada Gutierrez and Ivan Jesus Quijada Gutierrez. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Contractor and its ultimate beneficial owners is an Independent Third Party.

**REASONS FOR AND THE BENEFIT OF ENTERING INTO THE CONSTRUCTION AGREEMENT**

The Group is principally engaged in manufacture and sales of apparel, small leather goods, bags and accessories. The Group manufactures a wide range of licensed casual headwear products, including baseball caps, bucket hats, winter caps, Gatsby hats, headbands and sun visors, with its major manufacturing plants currently in Bangladesh and Shenzhen, the PRC. Mainland Mexico is an indirect wholly-owned subsidiary of the Company incorporated under the laws of Mexico for the purpose of the infrastructure investment project under the Collaboration Agreement and it is intended for Mainland Mexico to engage in manufacturing business.

As mentioned in the Company’s announcement dated 3 March 2023, the Project provides an opportunity for the Group to diversity its geographical risk in manufacturing business and to better serve its customers in the United States by constructing a new factory in Mexico. Pursuant to the Collaboration Agreement, the Mainland Companies have agreed to, among others, construct and operate a factory of more than 150,000 sq.ft. with the first 24 months after the date of the Collaboration Agreement. By entering into the Construction Agreement with the Contractor, the Group is in the course of implementation of the Project.

In view of the above, the Board is of the view that entering into the Construction Agreement is in the interests of the Company and its shareholders as a whole.

**IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Construction Agreement is more than 5% and is less than 25%, the Construction Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

- “Board”                                   the board of Directors
  
- “Collaboration Agreement”           the collaboration agreement entered into between the Mainland Companies and the Government of the state of Sonora of Mexico and H. City Hall in relation to the Project dated 2 March 2023

“Company”	Mainland Headwear Holdings Limited (飛達帽業控股有限公司), a company incorporated under the laws of Bermuda, the shares of which are listed on the main board of the Stock Exchange
“Contractor”	S Q TECH, S.A. DE C.V., a corporation established under the laws of Mexico
“Contract Price”	MXN\$202,558,000.42, being the total consideration for the Construction Work
“Construction Agreement”	the construction agreement entered into between Mainland Mexico and the Contractor in relation to the construction of a factory at the Land dated 19 July 2023
“Construction Work”	the construction work to be carried out under the Construction Agreement (for details, please refer to the section headed “Construction Agreement — Construction Work” in this announcement)
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third part(ies) who is/are not connected person(s) (as defined under the Listing Rules) of the Company and is/are independent of and not connected with the Company and its directors, chief executive, and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Land”	the land located in the west side of downtown Agua Prieta, with an area of 150 hectares taken from the property identified as rustic Plot of land number 165 Z1 P1/2, with an area of 221-52-60,929 hectares, located on the highway Agua Prieta-Nacozari, of the Ejido Agua Prieta, municipality of Agua Prieta, Sonora, Mexico
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mainland Companies”	the Company and MMML
“Mainland Mexico”	Mainland Mexico Headwear Manufacturing Limited, S.DE R.L. DE C.V., a company incorporated under the laws of Mexico and an indirect wholly-owned subsidiary of the Company
“MMML”	Mainland Mexico Manufacturing Limited, a company incorporated under the laws of Samoa with limited liability and an indirect wholly owned subsidiary of the Company
“MXN”	Mexican Peso, the lawful currency of the Mexico
“Project”	the construction and development of the Land, including factory, warehouse, residential units, roads, and other relevant infrastructure within a period of five years
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq. ft”	square feet
“VAT”	Value added tax
“%”	per cent

By order of the Board  
**Mainland Headwear Holdings Limited**  
**Ngan Hei Keung**  
*Chairman*

Hong Kong, 20 July 2023

*For the purpose of this announcement, all amounts denominated in MXN\$ have been translated (for information only) into HK\$ using the exchange rate of MXN\$1: HK\$0.47.*

*As at the date hereof, the Board of Directors of the Company comprises eight directors, of which five are Executive Directors, namely Mr. Ngan Hei Keung, Madam Ngan Po Ling, Pauline, BBS, JP, Mr. James S. Patterson, Mr. Ngan Siu Hon, Alexander and Mr. Lai Man Sing; and three are Independent Non-executive Directors, namely Mr. Leung Shu Yin, William, Mr. Liu Tieh Ching, Brandon, JP and Mr. Gordon Ng.*

\* *For identification purpose only*